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HIGHLIGHTS

More Farm Jobs

Total employment in Washington State jumped 33,200 from April to total 1,935,200 in May. The gain was due mainly to an increase in agricultural jobs, especially in the asparagus harvest which employed over 30,000 workers alone at mid-May. Nonagricultural employment also expanded with a gain of 10,900 between April and May. Most of the increase in nonfarm jobs was also seasonal with the largest gains occurring in construction, retail trade, and services. Expanding tourist business prompted much of the growth in trade and services. Manufacturing employment was little changed over the month as gains exceeded losses by only 300. Aerospace and food products employment rose, but offsetting cutbacks were reported in "other transportation equipment" because of layoffs in shipbuilding and in non-electrical machinery.

	May 1985* (Prel.)	Apr. 1985 (Rev.)	May 1984
Civilian Labor Force	2,109,600	2,086,200	2,067,100
Total Employment	1,935,200	1,902,000	1,878,000
Total Unemployment	174,400	184,200	189,100
State Unemployment Rate	8.3	8.8	9.1
National Civilian Unemployment Rate	7.0	7.1	7.2

*These data represent alternative estimates of labor force conditions developed by the State Employment Security Department. They are more comparable with data released in previous years than are the official Bureau of Labor Statistics' estimates developed for federal program purposes. (Data in this table are not seasonally adjusted.)

Seasonally Adjusted Employment Up

Not all of the change was seasonal between April and May. Total employment, after seasonal adjustment, rose from 1,905,800 to 1,914,100. Moreover, the year-to-year comparison continues to show substantial long-term growth in the state economy. Total employment (unadjusted) was up 57,200 over the year with employment in nonagricultural wage and salary jobs advancing 44,000. Major expansions were credited to aerospace (up 10,400), trade (up 13,600) and services (up 15,300).

Unemployment Down To 8.3 Percent

The number of unemployed workers in the state dropped 9,800 from April to total 174,400 in May. The jobless rate fell from 8.8 percent to 8.3 percent over the month. As in the case of employment, most but not all of the change was seasonal. After seasonal adjustment, total unemployment fell from 182,000 to 178,100; the adjusted unemployment rate dropped from 8.7 to 8.5 percent.

Over the year, an expanding economy lowered unemployment by 14,700. The unadjusted jobless rate in May 1984 was 9.1 percent versus 8.3 percent this May. Nationally, the unadjusted jobless rate edged down to 7.0 percent in May from 7.1 percent in April. The May 1984 rate for the nation was 7.2 percent.

State Outpaces Nation: Gap Between State and National Jobless Rates Narrows to 1.3 Points

While the state lagged behind the nation in recovering from the 1981-1982 recession, the expansion in the state's economy has outpaced that of the nation in the past year. Between May 1984 and 1985, employment nationally increased 1.7 percent compared with a gain of 3 percent in Washington State. As a result, the gap between the state and national unemployment rate has narrowed considerably. In May 1984 the national unadjusted rate was 7.2 percent versus 9.1 percent in Washington State, a difference of 1.9 points. In May 1985, however, the gap narrowed to 1.3 points with the state's rate at 8.3 percent and the national rate at 7.0 percent.

A major factor in the narrowing gap between the state and national unemployment rates is the effect of foreign competition on manufacturing. Because of the strength of the dollar, which makes foreign goods less expensive than goods manufactured in this country, manufacturing employment in the nation rose only 0.3 percent between May 1984 and 1985. By contrast, manufacturing employment rose 1.2 percent over the year in Washington State. State manufacturers have also been hard hit by foreign competition but growth in aerospace payrolls more than offset employment losses in the lumber, metals and machinery industries which have been the most adversely impacted sectors in this state. Aerospace has foreign competition in the commerical airliner business, but its defense and space business is insulated from overseas competition.

Unemployment Rates Low In Bremerton and Seattle

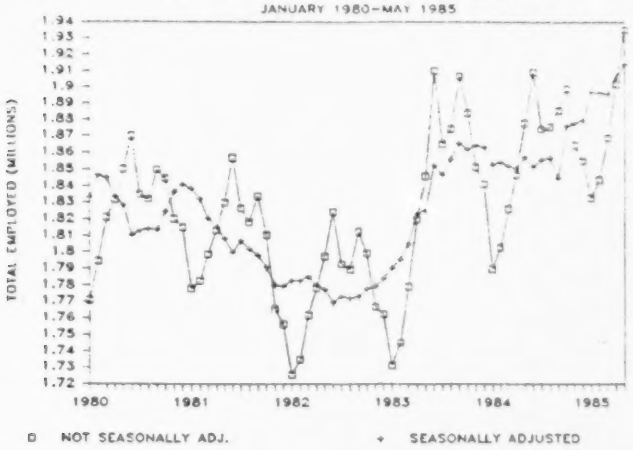
Local jobless rates in the state continue to vary widely. In the state's metropolitan areas, rates in May varied from lows of 6.3 percent in the Bremerton Metropolitan Area and 6.8 percent in the Seattle area to a high of 12.6 percent in the Yakima Metropolitan Area. Unemployment is relatively low in Bremerton because of the stability provided by naval installations, the area's predominant source of jobs. Seattle's rate is low because of industrial diversity and growth in aerospace. Unlike many of the less populated counties of the state, workers losing jobs in the Seattle Metropolitan Area have more alternative sources of employment within commuting distance. In many of the state's counties where lumber is the major source of manufacturing jobs, alternative jobs often require moving.

Seattle's Expanding Economy Attracts Job Seekers

And to an extent, this has occurred. Employment in the Seattle area rose 38,900 between May 1984 and May 1985 to account for over two-thirds of the state's job growth. Unemployment in the Seattle area, however, fell only 6,300, (43 percent of the statewide drop) as the expansion in aerospace attracted job seekers from other areas. Nonetheless, Seattle's jobless rate in May at 6.8 percent was below the comparable national rate of 7.0 percent.

STATE TOTAL EMPLOYMENT

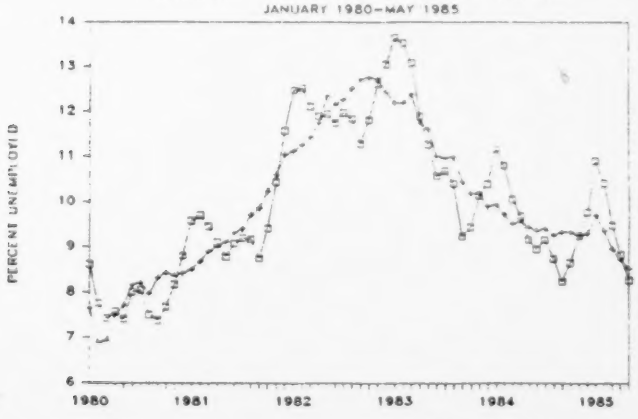
JANUARY 1980–MAY 1985



□ NOT SEASONALLY ADJ. + SEASONALLY ADJUSTED

STATE UNEMPLOYMENT RATE

JANUARY 1980–MAY 1985



□ NOT SEASONALLY ADJ. + SEASONALLY ADJUSTED

Yakima's jobless rate was down over the year, but at 12.6 percent in May it was double the rate for the Bremerton area. The major reason for Yakima's high jobless rate is the volatility of its labor force and of agriculture and food processing, its major industries. Between April and May, for example, total employment in the Yakima area rose 4,200 (5.8 percent) because of the asparagus harvest. The labor force, however, also rose 4,200 because many of the harvest jobs were filled by migrant farm workers. The number of unemployed workers remained unchanged at 11,000; the area's jobless rate dropped from 13.2 to 12.6 percent but only because of an expanded labor force.

Recession Continues In Areas Dependent On The Lumber Industry

The unemployment rate in the 11 counties where the lumber industry is the largest source of manufacturing jobs declined over the month and over the year. Nonetheless at 12.2 percent in May, unemployment in these counties was still at a recessionary level. In post-World War II recessions the statewide rate in May has never been as high as 12.2 percent.

MANUFACTURING INDUSTRIES

Both aerospace and food manufacturers added 400 workers in May, but offsetting losses occurred in "other transportation equipment" and nonelectrical machinery. Small changes in other industries resulted in an overall gain of 300 in manufacturing for the month.

The increase in food processing was entirely seasonal and employment in the industry was unchanged over the year. Workers were added in May to help process the asparagus crop, but layoffs were reported at firms processing potato products. The gain in aerospace continued the industry's expansion which began in late 1983. Growth in recent months, however, has been more moderate than in the second half of 1984 when most monthly gains were 1,000 or better.

Boeing Wins One Loses One

The Boeing Company continues to add to its order backlog. Boeing recently announced the sale of 10 aircraft to Lufthansa Airlines for around $500 million. The airline also has the option to buy ten more of the 737-300 medium-range jets. Lufthansa, however, also placed an order with Airbus Industrie for 22 aircraft with options to buy 28 more. The order, including options and space parts, could be worth over $2 billion. The strength of the dollar may have been a factor in the award of the contract to Airbus rather than Boeing, although the West German government which owns Lufthansa also owns part of Airbus Industrie.

Shipyards Continue Layoffs

"Other transportation equipment" employment fell 500 in May to bring the industry level down 2,200 from one year ago. Recent news in the industry included the award of a $236 million contract for the overhaul of eight Coast Guard cutters which was given to Todd Shipyards of Seattle. According to Todd the contract would keep 400 workers at the yard employed for the next five years. About one-third of the jobs would be filled by existing employees.

Coast Guard Contract Goes to Todd

A wage concession proposal was recently rejected by Todd workers on certain contracts to make the yard more competitive. The proposal would have reduced pay on the contracts from $13.50 to $10.00 per hour. Two Portland shipyards recently accepted a similar proposal. A Todd spokesman said this puts their Seattle yard at an almost insurmountable competitive disadvantage. The union is now considering a new wage-concession proposal made by Todd.

Machinery employment dropped 200 in May as a gain of 100 in electrical equipment only partially offset a 300 drop in nonelectrical equipment. The drop occurred at one firm manufacturing high-tech related products. The outlook for high-tech in the state, however, is still bright.

State Lands New Plant

A partnership between RCA and Sharp Corporation, a Japanese firm, announced that they would build a $200 million "superchip" plant in Clark County. The "superchip" is a new kind of integrated circuit which can accommodate thousands of data bits on a sliver of space. RCA-Sharp plans to hire up to 650 workers for the facility by 1989 and pay an average salary of about $40,000 per year. Robots are expected to perform most of the production work in a sterile environment, but the plant may eventually employ 1,600 workers despite its high degree of automation. John Anderson, Director of the Department of Commerce and Economic Development, said that the establishment of the plant in Washington State will encourage other firms to locate here. "Other companies are going to figure that RCA-Sharp, a blue chip name in business, must have known something when it decided to locate here."

The location decision was influenced by a bill recently passed by the legislature to delay sales tax payments on plant construction and another bill authorizing $15 million to help local governments finance "critical public works" projects. The sales tax deferral measure is designed to attract new business by providing three-year sales tax deferrals, interest free, to out-of-state manufacturing and high-tech companies that agree to build new plants in Washington State.

BPA To Help Northwest Aluminum Plants

Primary metals employment dipped 100 in May and was down 1,300 over the year. The drop from last year was largely the result of the closure of the Asarco smelter in Tacoma and cutbacks at aluminum plants, which are hard pressed by foreign producers with substantially lower electric power rates. The Bonneville Power Administration (BPA) recently announced that it would assist the Northwest aluminum industry by adopting a special rate structure for aluminum plants. It would reduce the cost of electricity from BPA by one-tenth cent per kilowatt hour for every cent aluminum prices drop below 60 cents per pound. If the proposed rate structure were now in effect, aluminum plants would be paying 1.5 cents per kwh rather than the current incentive rate of 1.9 cents per kwh. The 1.5 cent rate is close to the average cost to aluminum plants world-wide. BPA also proposes paying between 10 and 20 percent of the cost of conservation improvements which the companies make to their plants. The new power rates are proposed to take effect next spring.

Lumber Payrolls At Recession Level

Employment in lumber and wood products rose less than seasonally anticipated between April and May. The May 1985 level was 5,200 below that of May 1984 and also lower than during the 1982 recession. The industry's problem stems mainly from rising Canadian lumber imports. The Canadian share of the United States' lumber market has increased from 19 percent 10 years ago to about one-third today. The major factor behind the increased competition from Canada continues to be the high value of the U.S. dollar relative to the Canadian dollar, making Canadian lumber cheaper to buy.

Workers Accept Pay Cuts

Some union workers in the lumber industry are now willing to accept reduced wages and benefits to save (or regain) their jobs. Details were not available but an agreement was reached between the union and Weyerhaeuser to restart its Raymond sawmill and to keep employees working in the Raymond and Pe Ell woods operations. Approximately 465 workers are involved, including 127 at the closed Raymond sawmill. In Longview, workers from Weyerhaeuser's Green Mountain Mill voted to accept a company offer and return to work. Weyerhaeuser had closed the mill because it had been losing money. The agreement included no change in health, welfare and pension benefits, but wages and and other benefits would be determined by lumber prices and production. The agreement also included some combining of jobs with 109 of the mill's 125 original workers scheduled to return to work.

Where The Action Is

Retail trade employment rose 4,400 to account for 40 percent of the increase in nonfarm jobs between April and May. The largest gains occurred at eating and drinking places which benefited from a pickup in tourist business. Other retail outlets also expanded in May, however. The Commerce Department reported that consumer spending rose one percent nationally in April and 0.7 percent in May. The increase likely reflects the late processing of income tax refunds. Since many refunds were not mailed until late May, June spending should also be high.

Although much, if not most, of the April-May gain was seasonal, there has been considerable non-seasonal growth in retail trade payrolls. Over the year, the number of jobs in the industry has increased 11,400 to boost "base" employment in the retail sector by nearly 1,000 per month.

Increased tourist business also added jobs in the service industries in May. Employment in the overall sector rose 1,300 for the month with higher employment reported by hotels-motels, amusements (golf courses, recreation clubs, etc), and agricultural and medical services. Gains were partially offset by lower employment at firms preparing income tax returns because of the passing of the tax deadline.

As in retail trade, employment in services expanded sharply over the year, adding 15,300 jobs between May 1984 and May 1985. The largest growth was reported in business services (up 2,800), health services (up 4,300) social services--day care, residential care, charities, etc.--(up 1,800).

Construction--Going Up

Construction payrolls added 2,000 in May and were up 3,100 over the year. The F.W. Dodge construction data for Washington State showed the value of construction in the state for the first five months of 1985 up seven percent from the comparable period in 1984. The value of residential building construction was down four percent over the year, but the value of street highway and utility construction rose nine percent. The cumulative value of contracts issued for non-residential buildings (commercial, school, public, religious, etc.) added 20 percent year to year. Declining mortgage rates should prompt growth in residential construction in the months ahead. The typical fixed rate, 30 year mortgage in June of this year in Washington State was between 11.5 and 12.5 percent, the lowest level since 1978.

Home Mortgage Rate Down

Auto Imports Creates Jobs In Tacoma

Employment in transportation-utilities moved up 1,100 in May with seasonal growth in business activity requiring more trucking, warehousing and other transportation

services. General Motors announced that it will begin to import cars through the Port of Tacoma which will add to employment in the sector. General Motors expects to import up to 50,000 Japanese cars a year through the Port beginning August 1st. According to the Port, the additional business will create 15 more full-time jobs for longshoremen, while Auto Warehousing will employ up to 35 additional workers on an as-needed basis. Auto Warehousing installs air conditioners, mirrors and other equipment on the imported vehicles.

Government Jobs Up Seasonally

Government civilian employment moved up 600 in May because of the addition of workers for such seasonal activities as street-highway repair and landscape work. Gains were offset somewhat by an earlier than usual completion of the regular school year at one institution; the 1984-1985 academic year also began earlier than usual at the school.

Navy Task Force May Add 23,200 Jobs by 1992

According to a U.S. Navy environmental impact statement, basing an aircraft carrier task force in Everett would create an estimated 23,200 jobs (directly and indirectly) in Washington State by 1992. Approximately 16,050 of the jobs would be located in Snohomish County, but the new jobs are not expected to lower unemployment in the county significantly because the new base will attract thousands of new residents. The Navy proposes building a commissary, base exchange and other facilities at the Seattle Sand Point Naval Station because of limited space at the Everett site. This may cause many of the new residents to live in south Snohomish County or north King County.

Mine Sweepers For Westport?

Grays Harbor officials are hoping that the Navy will base two mine sweepers at Westport. According to the Navy, the base would create an estimated payroll of 200 and an estimated reserve force of up to 485 on weekends. A crowd of 3,000 recently turned out at a rally to encourage the Navy to locate the minesweeper base at Westport. The Grays Harbor economy has been hard hit by the declining lumber industry and the El Nino ocean current phenomenon which damaged fishing and razor clamming.

THE NATIONAL CONTEXT

Indicators Improve

National economic indicators took on a more positive hue in May. The Index of Leading Economic Indicators rose 0.7 percent in May following declines in the previous two months. The Commerce Department's initial estimate of the Gross National Product (GNP) for the second quarter showed the economy growing at a 3.1 percent annual rate, up from 0.3 percent for the first quarter. The GNP is the broadest measure of the nation's economic activity. A factor in the rise in the GNP was a drop in the rate of inflation. The implicit price deflator, which is used to adjust the GNP, fell from an annual rate of 5.4 percent in the first quarter to 3.2 percent in the second quarter.

Construction Outlook Bright

Construction activity is expected to pick up in the months ahead because of falling interest rates. Indicators of construction, however, were mixed in May. National housing starts dropped 14 percent in May to a seasonally adjusted annual rate of 1.66 million units, but falling mortgage interest rates boosted purchases of both new and existing homes. May starts were at an unusually high 1.93 million units. Moreover, building permits, an indicator of future construction, rose three percent in May, while spending for all new construction rose 1.5 percent in May. The May gain in contruction spending reflected growth in the non-residential sector.

CONSUMER PRICE INDEX

(All Items, Urban Consumers, 1967=100)

	INDEXES			PERCENT CHANGE Year Ending	
	May 1985	April 1985	May 1984	May 1985	April 1985
U.S. City Average	321.3	320.1	309.7	+3.7	+3.7
Seattle-Everett	321.0	N/A	313.0	+2.6	N/A